

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-14 NEA-11 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

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C O N F I D E N T I A L USOECD PARIS 3345

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: ENERGY: OECD HIGH-LEVEL CONSULTANTS VIEW ON OIL PRICE IMPACT

REF: A. USOECD 2394

B. OECD DOC C(74)14

STATE ALSO FOR T/IEP

1. DR. HANS SCHNEIDER, HIGH-LEVEL CONSULTANT FOR OECD LONG TERM ENERGY ASSESSMENT, HAS NOW HAD AN OPPORTUNITY ALONG WITH THE SECRETARIATS CENTRAL UNIT TO CHECK ON THE PRELIMINARY CONCLUSIONS OF THE ASSESSMENT PRESENTED TO OECD EXECUTIVE COMMITTEE ON JANUARY 17, 1974. (SEE REF (B)). THE CHECK HAS GENERALLY CONFIRMED THESE CONCLUSIONS WITH ONE REFINEMENT NOTED BELOW. THIS SUGGESTS THAT REF (B) MAY PROVIDE SOME INTERESTING ELEMENTS FOR DISCUSSION AT THE WASHINGTON ENERGY CONFERENCE.

2. MAJOR CONCLUSION, REVISING SOMEWHAT PARA 31 REF (B),
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IS THAT AT CURRENT PRICE LEVELS (I.E. ABOUT \$7.50/BBL. FOB),

VOLUME IMPORTS OF OIL INTO OECD AREA WILL BE LOWER IN 1980 THAN THEY WERE IN 1973, AND WILL NOT RISE ABOVE 1973 LEVELS BETWEEN NOW AND 1980. THIS CONCLUSION, ACCORDING TO CENTRAL UNIT, IS BASED ON RATHER CONSERVATIVE ASSUMPTIONS ABOUT INCREASES IN INDIGENOUS SUPPLY, DEMAND REDUCTION, AND SUBSTITUTION EFFECTS. IT IS ALSO BASED ON THE ASSUMPTION THAT MARKET WILL BE ALLOWED TO WORK FAIRLY FREELY IN REDISTRIBUTING DEMAND AND RESOURCES.

3. COMMENT: THE SUPPLY/DEMAND PROJECTIONS FOR THE LONG TERM ENERGY ASSESSMENT HAVE BEEN DEVELOPED ON THE BASIS OF A SERIES OF HYPOTHETICAL PRICE RANGES, SO THAT DR. SCHNEIDER BELIEVES HIS ANALYSIS IS NOT VULNERABLE TO CHARGES OF POLITICAL MOTIVATION EVEN THOUGH ONE IMPLICATION THAT MAY BE DRAWN FROM IT IS THAT CURRENT OIL PRICES MAY NOT BE SUSTAINABLE. INTERESTED WASHINGTON AGENCIES MAY WISH TO DRAW SCHNEIDER OUT WITH RESPECT TO HIS ANALYSIS AND CONCLUSIONS.
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